



MILLENNIUM CHALLENGE CORPORATION

[MCC FR 23-09]

Report on the Selection of Eligible Countries for Fiscal Year 2024

AGENCY: Millennium Challenge Corporation.

ACTION: Notice.

SUMMARY: This report is provided in accordance with the Millennium Challenge Act of 2003, as amended. The report is set forth in full below.

SUPPLEMENTARY INFORMATION:

Report on the Selection of Eligible Countries for Fiscal Year 2024.

SUMMARY

This report is provided in accordance with section 608(d)(1) of the Millennium Challenge Act of 2003, as amended (the Act) (22 U.S.C. 7707(d)(1)).

The Act authorizes the provision of assistance under section 605 of the Act (22 U.S.C. 7704) to countries that enter into compacts with the United States to support policies and programs that advance the progress of such countries in achieving lasting poverty reduction through economic growth and are in furtherance of the Act. The Act requires the Millennium Challenge Corporation (MCC) to determine the countries that will be eligible to receive assistance for the fiscal year, based on their demonstrated commitment to just and democratic governance, economic freedom, and investing in their people, as well as on the opportunity to reduce poverty through economic growth in the country. The Act also requires the submission of reports to appropriate congressional committees and the publication of notices in the *Federal Register* that identify, among other things:

1. The countries that are “candidate countries” for assistance for fiscal year (FY) 2024 based on their per-capita income levels and their eligibility to receive assistance under U.S. law, and countries that would be candidate countries, but for specified legal prohibitions on assistance (section 608(a) of the Act (22 U.S.C. 7707(a)));
2. The criteria and methodology that the Board of Directors of MCC (the Board) used to measure and evaluate the policy performance of the “candidate countries” consistent with the requirements of section 607 of the Act in order to determine “eligible countries” from among the “candidate countries” (section 608(b) of the Act (22 U.S.C. 7707(b))); and
3. The list of countries determined by the Board to be “eligible countries” for FY 2024, with justification for eligibility determination and selection for compact negotiation, including with which of the eligible countries the Board will seek to enter into compacts (section 608(d) of the Act (22 U.S.C. 7707(d))).

This is the third of the above-described reports by MCC for FY 2024. It identifies countries determined by the Board to be eligible under section 607 of the Act (22 U.S.C. 7706) for FY 2024 with which MCC seeks to enter into compacts under section 609 of the Act (22 U.S.C. 7708), as well as the justification for such decisions. The report also identifies countries selected by the Board to receive assistance under MCC’s threshold program pursuant to section 616 of the Act (22 U.S.C. 7715).

ELIGIBLE COUNTRIES

The Board met on December 13, 2023, to select those eligible countries with which the United States, through MCC, will seek to enter into a Millennium Challenge Compact pursuant to section 607 of the Act (22 U.S.C. 7706). The Board selected the following eligible country for such assistance for FY 2024: Cabo Verde. Cabo Verde is invited by MCC to develop a compact for the purposes of regional economic integration. The Board also selected the following previously selected countries for compact assistance for FY 2024: Côte d’Ivoire, Senegal, Sierra Leone, The Gambia, Togo, and Zambia.

Criteria

In accordance with the Act and with the “Report on the Criteria and Methodology for Determining the Eligibility of Candidate Countries for Millennium Challenge Account Assistance in Fiscal Year 2024” formally submitted to Congress on September 13, 2023, selection was based primarily on a country’s overall performance in three broad policy categories: *Ruling Justly*, *Encouraging Economic Freedom*, and *Investing in People*. The Board relied, to the fullest extent possible, upon transparent and independent indicators to assess countries’ policy performance and demonstrated commitment in these three broad policy areas. The Board compared countries’ performance on the indicators relative to their income-level peers, evaluating them in comparison to either the group of countries with a GNI per capita equal to or less than \$2,145, or the group with a GNI per capita between \$2,146 and \$4,465.

The criteria and methodology used to assess countries, including the methodology for the annual scorecards, are outlined in the “Report on the Criteria and Methodology for Determining the Eligibility of Candidate Countries for Millennium Challenge Account Assistance for Fiscal Year 2024¹.” Scorecards reflecting each country’s performance on the indicators are available on MCC’s website at <https://www.mcc.gov/who-we-select/scorecards>.

The Board also considered whether any adjustments should be made for data gaps, data lags, or recent events since the indicators were published, as well as strengths or weaknesses in particular indicators. Where appropriate, the Board considered additional quantitative and qualitative information, such as evidence of a country’s commitment to fighting corruption, investments in human development outcomes, or poverty rates. MCC published a Guide to Supplemental Information² to increase transparency about the type of supplemental information the Board uses to assess a country’s policy performance. MCC also published webpages³ regarding how MCC assesses performance on the new Education Expenditures and Girls’ Lower Secondary Education

¹ Available at <https://www.mcc.gov/resources/doc/report-selection-criteria-methodology-fy24>

² Available at <https://www.mcc.gov/resources/doc/guide-to-supplemental-information>

³ Available at <https://www.mcc.gov/who-we-select/indicator/education-expenditure-indicator> (Education Expenditures), <https://www.mcc.gov/who-we-select/indicator/girls-lower-secondary-education-completion-rate-indicator> (Girls’ Lower Secondary Education Completion Rate) and <https://www.mcc.gov/blog/entry/blog-101723-mcc-girls-education> (both indicators)

Completion Rate scorecard indicators. In keeping with statutory requirements, the Board also considered the opportunity to reduce poverty and promote economic growth in a country, in light of the overall information available, as well as the availability of appropriated funds.

The Board sees the selection decision as an annual opportunity to determine where MCC funds can be most effectively used to support poverty reduction through economic growth in well-governed countries with demonstrated development need. The Board carefully considers the appropriate nature of each country partnership—on a case-by-case basis—based on factors related to poverty reduction through economic growth, the sustainability of MCC’s investments, and the country’s ability to attract and leverage public and private resources in support of development.

This was the sixth year the Board considered the eligibility of countries for concurrent compacts, as permitted under section 609(k) of the Act. In addition to the considerations for compact eligibility detailed above, the Board considered whether a country being considered for a concurrent compact is making considerable and demonstrable progress in implementing the terms of its existing compact.

This was the fifteenth year the Board considered the eligibility of countries for subsequent compacts, as permitted under section 609(l) of the Act. MCC’s engagement with partner countries is not open-ended, and the Board is deliberate when selecting countries for follow-on partnerships, particularly regarding the higher bar applicable to subsequent compact countries. The Board considered—in addition to the criteria outlined above—a country’s performance implementing its prior compact, including the nature of the country’s partnership with MCC, the degree to which the country has demonstrated a commitment and capacity to achieve program results, and the degree to which the country implemented the compact in accordance with MCC’s core policies and standards. To the greatest extent possible, these factors are assessed using pre-existing monitoring and evaluation targets and regular quarterly reporting. This information is supplemented with direct surveys and consultation with MCC staff responsible for compact implementation, monitoring, and evaluation. MCC published a Guide to the Program Surveys⁴ regarding the information collected and assessed for any country with an existing or prior compact or threshold program to ensure transparency about the type of information the Board considers regarding a country’s performance on MCC programs, as relevant. The Board also considered a country’s commitment to further sector reform, as well as evidence of improved scorecard policy performance.

In addition, this is the eighth year in which the Board considered an explicitly higher bar for countries close to the upper end of the candidate pool. The Board looked closely—in such cases—at a country’s access to development financing, the nature of poverty in the country, and its policy performance.

Countries newly selected for compact assistance

Using the criteria described above, one candidate country under section 606(a) of the Act (22 U.S.C. 7705(a) was newly selected as eligible for assistance under section 607 of the Act (22 U.S.C. 7706): **Cabo Verde**. Cabo Verde is invited by MCC to develop a compact for the purposes of regional economic integration.

⁴ Available at <https://www.mcc.gov/resources/doc/guide-to-program-surveys-fy23>

Cabo Verde: Cabo Verde has consistently passed the scorecard for over a decade and has some of the highest Control of Corruption and Democratic Rights scores of any MCC partner. The government was a committed partner during its prior MCC programs and has consistently expressed deep interest in renewing its partnership with MCC. While Cabo Verde has made strides in reducing poverty, recent progress has been hampered by global events and external shocks. MCC’s Board selected Cabo Verde for a regional compact as a result of its strong commitment to democracy, its economic development needs and lingering poverty, and the potential opportunities to strengthen regional economic integration and trade in West Africa with a committed and engaged former MCC partner.

Countries selected to continue compact development

Six of the countries selected as eligible for compact assistance for FY 2024 were previously selected for FY 2023. **Côte d’Ivoire** (regional), **Senegal** (regional), **Sierra Leone**, **The Gambia**, **Togo**, and **Zambia** were selected to continue developing compacts. Selection of these countries for FY 2024 was based on an assessment of their policy performance since their prior selection and their progress in developing programs with MCC.

Countries selected to receive threshold program assistance

The Board selected **Tanzania** and the **Philippines** to receive threshold program assistance for FY 2024, leveraging MCC’s new authority to pursue threshold programs after compacts for countries that have experienced set-backs, but are now on a positive governance trajectory.

Tanzania: A former MCC compact partner, Tanzania offers MCC the opportunity to engage with a country that faces significant challenges to economic growth and that is demonstrating a trajectory of reform. While Tanzania does not pass the MCC scorecard in FY 2024 due to not passing the Democratic Rights “hard hurdle,” it passes the Control of Corruption “hard hurdle,” and passes 15 of 20 indicators overall. Since taking office in 2021, President Hassan has taken some steps to strengthen democratic governance, including restoring some media freedoms and political rights for opposition groups and initiating a process to identify other key democratic and constitutional reforms. By selecting Tanzania for a threshold program, MCC will work with the government to undertake policy and institutional reforms to address the country’s development needs while also encouraging further democratic progress and the advancement of human rights.

Philippines: A former MCC compact partner, the Philippines passes 11 of 20 indicators on the MCC scorecard in FY 2024, including both Democratic Rights indicators, but does not pass the scorecard because it fails the Control of Corruption indicator in the 50th percentile (countries must score above the 50th percentile to pass). President Ferdinand Marcos Jr., elected in May 2022, has committed to advancing critical reforms, pledged to increase transparency, and strengthened judicial independence and the prosecution of human rights violations. By selecting the Philippines for a threshold program, MCC can support the government to undertake policy and institutional reforms to address the country’s development needs while also encouraging further progress on advancing labor and human rights and combatting corruption.

Country selected to continue developing a threshold program

The Board selected **Mauritania** to continue developing a threshold program. Selection of Mauritania for FY 2024 was based on its continued commitment to strengthening its policy performance since its prior selection, particularly in its fight against trafficking in persons and hereditary slavery, and its progress toward developing its threshold program.

ONGOING REVIEW OF PARTNER COUNTRIES' POLICY PERFORMANCE

The Board emphasized the need for all partner countries to maintain or improve their policy performance. If it is determined during compact implementation that a country has demonstrated a significant policy reversal, MCC can hold it accountable by applying MCC's Suspension and Termination Policy.⁵

(Authority: 22 U.S.C. 7707(d)(2))

Dated: December 15, 2023.

Peter E. Jaffe

Vice President, General Counsel, and Corporate Secretary.

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⁵Available at <https://www.mcc.gov/who-we-select/suspension-or-termination>